



Office of Inspector General U.S. Department of the Interior

AUDIT REPORT

**U.S. Fish and Wildlife Service
Federal Assistance Grants
Administered by the State of
Rhode Island, Department of
Environmental Management,
Division of Fish and Wildlife,
from July 1, 2001, through
June 30, 2003**

Report No. R-GR-FWS-0023-2004

May 2005



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

External Audits

12030 Sunrise Valley Drive, Suite 230

Reston, Virginia 20191

May 19, 2005

AUDIT REPORT

Memorandum

To: Director
U.S. Fish and Wildlife Service

From: Andrew Fedak *Andrew Fedak*
Director of External Audits

Subject: Final Audit Report on the U.S. Fish and Wildlife Service Federal Assistance Grants Administered by the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife from July 1, 2001, through June 30, 2003 (No. R-GR-FWS-0023-2004)

This report presents the results of our audit of costs claimed by the State of Rhode Island, Department of Environmental Management (DEM), Division of Fish and Wildlife (DFW), under Federal Assistance grants from the U.S. Fish and Wildlife Service (FWS). The audit included claims that totaled approximately \$15.3 million on FWS grants that were open during the State's fiscal years ended June 30, 2002 and 2003 (see Appendix 1). The audit also included a review of the DEM's compliance with certain regulatory and other requirements, including those related to the collection and use of State hunting and fishing license revenues and the reporting of program income.

We found that DFW needs to improve controls over its equipment and reconcile its land records to the official land records maintained by the DEM and to the land records maintained by FWS. We also found that the DEM needs to develop written procedures on the controls and accounting process utilized for Federal Assistance grants.

FWS Region 5 advised us on May 3, 2005, that it agreed with the findings and recommendations in the draft report but that neither FWS nor DEM would be providing a formal response to the draft.

In accordance with the Departmental (361 DM 1.5), please provide us with your written response to the recommendations in this report by August 18, 2005. Your response should include the information requested in Appendix 3. If you have any questions regarding this report, please contact me at (703) 487-5345 or Mr. Steven Moberly, Audit Team Leader, at (916) 978-5650.

cc: Regional Director, Region 5,
U.S. Fish and Wildlife Service

Introduction

Background

The Pittman-Robertson Wildlife Restoration Act and the Dingell-Johnson Sport Fish Restoration Act (Acts) ¹ authorize the U.S. Fish and Wildlife Service (FWS) to provide Federal Assistance grants to states to enhance their sport fish and wildlife programs. The Acts provide for FWS to reimburse the states up to 75 percent of the eligible costs incurred under the grants. They also specify that state hunting and fishing license revenues cannot be used for any purpose other than the administration of the state's fish and game agencies.

Scope, Objective, and Methodology

We performed our audit at the Rhode Island Department of Environmental Management (DEM), Division of Fish and Wildlife (DFW) in Providence, Rhode Island. The audit work included claims that totaled approximately \$15.3 million on FWS grants that were open during the State's fiscal years (SFYs) ended June 30, 2002 and 2003 (see Appendix 1). We also visited four field headquarters, four wildlife management areas, two fish hatcheries, and three boat access facilities (see Appendix 2). The objective of our audit was to evaluate:

- the adequacy of the DEM's accounting system and related internal controls;
- the accuracy and eligibility of the direct and indirect costs claimed under the Federal Assistance grant agreements with FWS;
- the adequacy and reliability of the DEM's hunting and fishing license fees collection, certification, and disbursement processes;
- the adequacy of the DEM's asset management system and related internal controls with regard to purchasing, maintenance, control, and disposal; and
- the adequacy of the State's compliance with the Acts' assent legislation requirements.

We performed our audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States. Accordingly, we included such tests of records and other auditing procedures that we considered necessary under the circumstances. Our tests included an examination of evidence supporting selected expenditures charged by the DEM to the grants; interviews with employees to ensure that personnel costs charged to the grants were supportable; and a review of the DEM's use of fishing and hunting license revenues to determine whether the revenues had been used for program purposes. We did not evaluate the economy, efficiency, or effectiveness of the DEM's operations.

¹ As amended, 16 U.S.C. § 669 and 16 U.S.C. § 777, respectively

Prior Audit Coverage

On September 30, 1998, we issued audit report No. 98-E-705, “U.S. Fish and Wildlife Service Federal Aid Grants to the State of Rhode Island, Department of Environmental Management, Division of Fish and Wildlife, for Fiscal Years Ended June 30, 1995 and 1996.” In addition, the State Auditor issued Single Audit reports on the State of Rhode Island for SFYs 2002 and 2003, but DEM was not audited as a major program. However, the Single Audit report stated that (1) the State’s accounting controls over equipment acquired with Federal Aid funds was not adequate to ensure that acquisition and disposal information was recorded accurately and (2) physical inventories were insufficient to ensure that the inventory data was complete.

We followed up on all significant findings to determine whether they had been resolved. We determined that all findings in the audit of Federal Aid grants had been resolved, but the accounting and inventory controls over equipment still need improvement (see Finding A).

Results of Audit

Our review found that:

- The DFW/DEM's accounting system and related internal controls adequately and accurately accounted for grant and license fee receipts and disbursements;
- Direct and indirect costs claimed under the Federal Assistance grant agreements with FWS were adequately recorded and supported; and
- The State had adequate assent legislation in place that prohibited the use of license fees for any purpose other than the administration of the DFW.

However, we also found that:

- A. DFW needs to improve its equipment records management system.
- B. DEM needs to develop written policies and procedures to document the controls and accounting process used for Federal Assistance grants.
- C. DFW needs to reconcile its land records with the official land records maintained by DEM and the land records maintained by FWS.

A. Equipment Records Management

The DFW did not maintain a comprehensive equipment records management system or develop written policies and procedures to ensure that property acquired with Federal Assistance funds or license revenues was controlled, inventoried, and used for its intended purpose.

The State of Rhode Island, Department of Administration, *Fixed Assets Control and Tracking System's Policies and Procedures Manual* requires the State to maintain adequate records to support disposition of grant funds and conduct physical inventories at least every 2 years. In addition, federal regulation 43 CFR § 12.72 (d) requires the grantee to maintain property records that identify the funding source of the property and to develop a control system with adequate safeguards to prevent loss, damage, or theft of property.

The DFW inventory database consisted of multiple spreadsheets that did not contain beginning or ending balances, were not reconciled with the State's accounting system or DEM's personal property inventory, and did not identify the property by funding source. DFW's property management responsibilities are performed substantially by one employee within the Wildlife section as a collateral duty. In addition, DEM officials told us that a physical inventory of DFW's property was not conducted between 1998 and 2002, but that a physical inventory was performed in 2003. However, the officials could not provide documentation showing the inventory was performed or the results of the verification process. As such, there is no assurance that the spreadsheet listings of property were accurate. As a result, property acquired with Federal Assistance funds or license revenues could not be readily verified, and the existing practices to safeguard equipment and to identify equipment that is lost, damaged, stolen, or no

longer needed to support Sport Fish and Wildlife Restoration program requirements were not adequate. We did not perform any tests of personal property due to the above deficiencies and DFW's acknowledgement that the inventory listing was not accurate.

We also found that DFW has not established policies and procedures to ensure that equipment records are adequately maintained and the equipment is adequately safeguarded.

Recommendations

We recommend that FWS:

1. Require DFW to develop and maintain an equipment records management system, including written policies and procedures, that will record, identify, and track equipment purchased with Federal Assistance funding or license revenues that meets the minimum requirements of the State and the federal regulations (43 CFR § 12.72).
2. Require DFW to conduct and document a comprehensive review of its facilities to establish a baseline equipment inventory listing. As part of this process, DFW should take appropriate action to address, in accordance with state and federal requirements, any equipment found to be lost, missing, stolen, or no longer needed.

B. Policies and Procedures on Accounting Process

The DEM's Office of Management Services performs the accounting function associated with DFW's Federal Assistance grants. However, we found that Management Services did not have adequate written policies and procedures to describe, govern, and control the accounting process employed to ensure consistent and proper accounting for license and other revenues and expenditures of license revenues and Federal Assistance grant funds. Written policies and procedures are a critical internal control to ensure that accounting procedures are applied consistently and that costs are properly authorized, incurred, recorded, and traceable to a level of expenditures to ensure that funds have not been used in violation of applicable statutes, in accordance with the standards for financial management systems (43 CFR § 12.60). According to Management Services officials, their office has not developed written policies and procedures because it did not have the time or expertise.

Recommendation

We recommend that FWS require DEM to develop and maintain written policies and procedures that describe the accounting processes used to control and account for Federal Assistance funding and license and other revenues.

C. Land Records Reconciliations

The DFW maintains a spreadsheet of lands acquired with Federal Assistance funds and license revenues, while DEM maintains the official land records listing. However, DFW has not reconciled its land records with the DEM or FWS land records to ensure that its listing is complete and accurate.

Recommendations

We recommend that FWS require DFW to:

1. Reconcile its schedule of lands purchased with Federal Assistance funds or license revenue with DEM's official land records and with the land records maintained by FWS.
2. Develop policies and procedures that require these reconciliations to be performed periodically.

**RHODE ISLAND DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2001, THROUGH JUNE 30, 2003**

Grant Number	Amount	Claimed Costs
F-10-D-50	\$499,132	\$410,884
F-10-D-51	534,112	505,622
F-20-R-42	171,200	139,339
F-20-R-43	220,160	216,112
F-20-R-44	150,160	169,407
F-26-R-36	193,032	144,772
F-26-R-37	188,950	188,228
F-26-R-38	155,750	156,156
F-42-E-15	212,417	161,736
F-42-E-16	225,417	155,442
F-42-E-17	241,417	247,507
F-48-R-14	142,575	134,420
F-48-R-15	149,300	86,869
F-48-R-16	150,979	119,306
F-59-D-10	1,050,000	991,777
F-59-D-11	950,000	854,360
F-59-D-12	870,000	874,408
F-60-R-9	116,436	96,224
F-60-R-10	116,590	103,100
F-60-R-11	122,102	74,726
F-61-R-9	473,740	435,742
F-61-R-10	499,235	492,227
F-61-R-11	656,450	697,484

**RHODE ISLAND DEPARTMENT OF
ENVIRONMENTAL MANAGEMENT
FINANCIAL SUMMARY OF REVIEW COVERAGE
JULY 1, 2001, THROUGH JUNE 30, 2003**

Grant Number	Amount	Claimed Costs
F-64-R-2	213,978	198,415
F-64-R-3	213,978	149,353
F-64-R-4	251,981	152,034
FW-8-C-53	272,760	256,003
FW-8-C-54	343,120	312,904
FW-8-C-55	344,000	296,654
FW-14-D-4	2,472,776	2,472,776
FW-14-D-9	912,000	925,637
FW-14-D-10	107,579	105,667
FW-14-D-11	920,000	80,370
FW-14-D-12	220,000	234,909
FW-14-D-13	806,555	92,499
FW-14-D-14	69,000	0
W-22-D-46	541,665	493,668
W-22-D-47	495,156	386,814
W-23-R-45	307,416	279,169
W-23-R-46	343,720	310,188
W-23-R-47	410,450	373,865
W-31-S-28	403,100	333,463
W-31-S-29	<u>398,724</u>	<u>380,645</u>
Total	<u>\$18,137,112</u>	<u>\$15,290,881</u>

**RHODE ISLAND
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
SITES VISITED**

Field Headquarters

Fort Wetherill
Government Center
Great Swamp
Round Top

Wildlife Management Areas

Arcadia
Black Hut
Burlingame
Great Swamp

Fish Hatcheries

Arcadia Warmwater Hatchery
Lafayette Trout Hatchery

Boat Access

Fort Wetherill
Galilee
Passeonkquis Cove

**RHODE ISLAND
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT
STATUS OF AUDIT FINDINGS
AND RECOMMENDATIONS**

Recommendation	Status	Action Required
A.1, A.2, B, C.1, and C.2	Finding Unresolved and Recommendations Unimplemented	Provide a corrective action plan that identifies the actions taken or planned to resolve the finding and implement the recommendations, and provide the basis for any disagreements. The plan should also include the target date and the official responsible for implementation of the recommendation, or an alternative solution. Unresolved findings and unimplemented recommendations remaining at the end of 90 days (after August 18, 2005) will be referred to the Assistant Secretary for Policy, Management and Budget for resolution or tracking of implementation, respectively.

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